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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

FOR PUBLIC INSPECTION
REDACTED

EX PARTE

November 17, 2003

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., TW-A325
Washington, DC 20554

Re: *In the Matter of Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements*, WC Docket No. 02-112; *2000 Biennial Regulatory Review Separate Affiliate Requirements of Section 64.1903 of the Commission's Rules*, CC Docket No. 00-175

Dear Ms. Dortch:

On October 28, 2003, Qwest representatives met with Commission staff to discuss Qwest's position in the above-captioned proceedings. The topic of Qwest's *ex parte* contact was wireless substitution. Attached are documents which are germane to that discussion. One of the attachments is "A Survey of Wireless Customers in the State of Utah – Residential Wireline Substitution Patterns." A portion of this attachment (pages three through 14) has been redacted. Pursuant to Sections 0.457(d) and 0.459 of the Commission's Rules, 47 C.F.R. §§ 0.457(d) and 0.459, Qwest is requesting that the redacted portion of this study be withheld from public inspection. The redacted portion of this study contains confidential information concerning the proprietary methodology that Qwest's external consultant employed to conduct the studies. Disclosure of the methodology employed may cause substantial competitive harm to Qwest and/or its consultant. Accordingly, the redacted section of this study is appropriate for non-disclosure either under Sections 0.457(d) or 0.459 of the Commission's Rules. In addition, attached is a Statement of Position and Exhibits of Harry M. Shooshan III, including the survey instrument utilized and the results of the survey which Qwest filed with the State of Iowa Department of Commerce – Utilities Board on November 14, 2003. Also attached is a LEAP Press Release which is germane to the subject of wireless substitution. Neither of these two documents are confidential or proprietary.

In accordance with Commission rules, Qwest is submitting (under separate cover) a non-redacted version of the aforementioned Utah study. Acknowledgment and date of receipt of this submission are requested. An original, one copy and a duplicate copy of this request are provided Please date-stamp the duplicate upon receipt and return it to the courier If you have any questions regarding this filing, please contact the undersigned at the contact information reflected in the letterhead.

Sincerely,

/s/ Melissa E. Newman

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A Survey of Wireless Customers in the State of Utah

Residential Wireline Substitution Patterns

Prepared for:

Qwest Communications

June 2003

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I. Purpose.

This study is designed to measure the extent to which wireless phone customers in Utah are substituting their wireless cell phone for home residential wireline service.

This survey identifies three different types of wireless substitution for residential wireline service ...

1. Wireless customers who do not have home wireline phone service today, but did previously (12.0% of Utah wireless customers; n=195 of 1,624 completed interviews).

2. Wireless customers who do not have home wireline service, never had it, but would initiate wireline service if they did not have wireless service as a substitute (9.2% of Utah wireless customers; n=150 of 1,624 completed interviews).

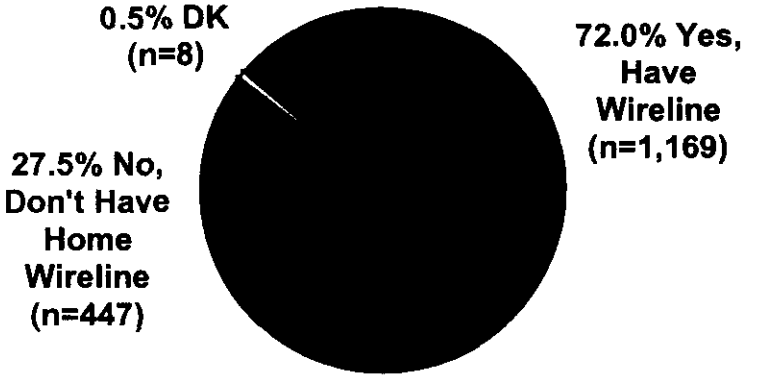
3. Wireless customers who also have home wireline service but cut wireline service to a second line because of using wireless as a substitute (5.5% of Utah wireless customers; n=89 of 1,624 completed interviews).

III. Findings.

A. No Traditional Residential Wireline Service.

Of the 1,624 wireless cell phone users interviewed, 447 (27.5%) do not have residential wireline telephone service.

Some cell phone customers choose to NOT have traditional wireline local telephone service in their home and, instead, use their wireless mobile phone for all of their calling needs. Other cell phone customers keep their home wireline service and use both to make calls. Do you have wireline local telephone service in your home?*



* If respondent was unsure or asked what "local telephone service" meant, the following definition was read. "By wireline local telephone service we mean dial-tone phone service provided by your local phone company that allows you to make and receive phone calls by plugging your home phone into a wall-jack. A cordless phone still counts as a wireline phone."

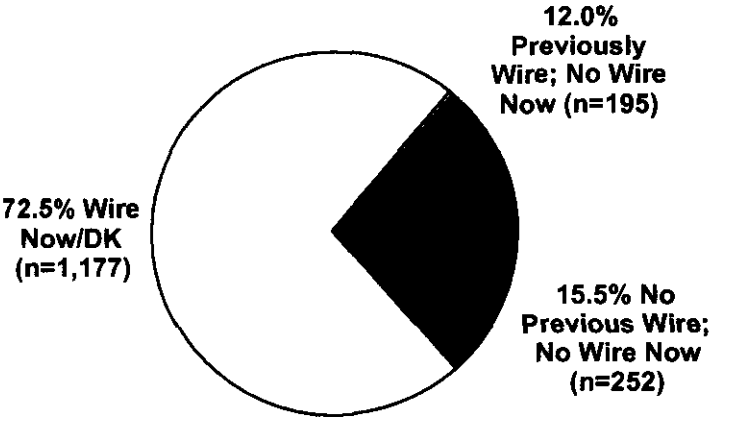
The incidence of not having home wireline telephone service is higher among renters (48%) than homeowners (13%) and higher among those aged 18 to 29 (37%) than those 30 to 39 (21%), 40 to 49 (17%), or those over 50 (13%).

By carrier, the incidence of no home wireline telephone service is around the survey average for T-Mobile (30%), Sprint (31%), and Western Wireless (27%) customers; below average for Nextel (21%) and AT&T (18%) customers; but above average for the 11% of the sample who are Cricket customers (61%).

B. Wireless Substitution for Previous Residential Wireline Telephone Service.

Among the 447 (27.5%) of Utah wireless cell phone customers who do not currently have wireline telephone service in their home, 195 (12.0% of total sample) also previously had wireline telephone service in their home that was disconnected or terminated because they decided to have cell phone service instead.

Did you previously have in your home, wireline local telephone service that was disconnected or terminated because you decided to have a cell phone? (Full Base – n=1,624)



This 12.0% level of wireless substitution for previous residential wireline telephone service is…

- 15% in the Ogden market;
- 13% in the Provo market;
- 11% in the Salt Lake market;

- 15% among 18 to 29 year old customers;
- 12% among 30 to 39 year old customers;
- 9% among 40 to 49 year old customers;
- 6% among 50+ year old customers;
- 20% among renters; and
- 7% among homeowners.

C. Other Forms of Wireless Phone Substitution for Residential Wireline Phone Service.

A total of 150 of the 1,624 (9.2%) Utah wireless cell phone customers interviewed meet the following substitution conditions...

- Do not currently have resident wireline telephone service (Q2);
- Never had residential wireline service in the past (Q3); and
- Say if they did not have wireless cell phone service, they would "install and initiate wireline local telephone service in their home" (Q4).

Thus, this 9.2% of Utah wireless customers represents a loss of potential wireline residential customers.

An additional 89 of the 1,642 (5.5%) wireless phone service customers interviewed meet the following substitution conditions...

- Currently HAVE residential wireline telephone service (Q2); and
- Said YES to "terminated service on a second wireline phone line in your home exclusively because you have telephone service using your wireless cell phone."

D. Summary of Wireless Substitution of Residential Wireline Telephone Service.

A total of 434 out of the 1,624 Utah wireless customers surveyed (26.7%) are substituting their wireless cell phone service for residential wireline phone service in one of three mutually exclusive ways...

- *Cut Cord*: 12.0% (n=195) previously had home wireline telephone service, but do not currently;
- *Never Cord/But Would*: 9.2% (n=150) never subscribed to home wireline phone service by say they would if the option of wireless cell phone service were not available; and
- *Severed 2nd Line*: 5.5% (n=89) say they have home wireline service but terminated wire service on a second home line "exclusively" because of the ability to substitute wireless service for that former second line.

QWEST CORPORATION

STATEMENT OF POSITION AND EXHIBITS

OF

HARRY M. SHOOSHAN III

State of Iowa

Department of Commerce—Utilities Board

Docket No. INU-03-04

November 14, 2003

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EXECUTIVE SUMMARY

Consistent with what I have observed nationwide, in Iowa Qwest faces both substantial and intensifying intramodal and intermodal competition. Qwest has provided extensive evidence of both forms of competition and demonstrated that services comparable to its residential and business basic exchange services are being offered by competitors in the seven geographic areas that encompass thirty-seven exchanges throughout the State. In my opinion, this evidence supports the removal of price regulation of Qwest's retail services in those exchanges and the reliance on market forces to assure that Qwest's retail rates for these services remain reasonable.

The evidence presented by Qwest that forms the basis for my testimony includes the results of a survey of wireless customers that I developed and oversaw demonstrating that consumers are substituting wireless service for Qwest's basic exchange services and substituting wireless usage for wireline usage in instances where they have chosen to retain their wireline phone. For example, 25 percent of wireless phone users who use their wireless phones for personal calls said they did not have wireline service at their home and, of those, 58 percent said they disconnected that service because they have a cell phone. Similarly, 24 percent of respondents who use their wireless phones for business purposes said they did not have wireline service at their business and, of those, 19 percent said they disconnected wireline service because they have a cell phone. A previous survey of wireline customers showed that 46 percent of all small business and residence customers surveyed—including some of those who do not currently have wireless service—say they could substitute cellular service for their household's wireline service

In my opinion, effective competition exists to protect customers, and retail regulation can be withdrawn as the statute provides. Any changes Qwest makes in its rates for basic exchange services will have to take into account the existence of both wireline and

wireless competition and customers' ability to shift their voice calling to any one of several alternative providers, especially as prices for these alternatives continue to decrease and their capabilities expand. If a substantial number of customers are aware of alternatives and would substitute a CLEC offering or wireless service for Qwest's basic exchange service should Qwest unreasonably increase the price, Qwest cannot *profitably raise its prices* because it would risk losing those customers

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, TITLE AND ADDRESS.

A. My name is Harry M. Shooshan III. I am a principal and co-founder of Strategic Policy Research, Inc. ("SPR"), a public policy and economics consulting firm located at 7979 Old Georgetown Road, Suite 700, Bethesda, Maryland 20814.

Q. PLEASE REVIEW YOUR EDUCATION, WORK EXPERIENCE AND PRESENT RESPONSIBILITIES.

A. I graduated from Harvard University with a B.A. (cum laude) and from Georgetown University Law Center ("GULC") with a J.D. From 1978 to 1991, I was an adjunct professor of law at GULC, teaching regulation and communications law. Before co-founding SPR, I served for eleven years on Capitol Hill. I was chief counsel and staff director of what is now the Subcommittee on Telecommunications and the Internet of the U.S House of Representatives. As a consultant, I have specialized in communications public policy analysis, regulatory reform and the impact of new technology and competition. I have co-authored several studies on the relationship between telecommunications infrastructure and economic development. I have also advised firms on business strategies and market opportunities.

I have testified before several Congressional committees, before the Federal Communications Commission ("FCC"), the Canadian Radio-television and Telecommunications Commission, and numerous state commissions, including those in Arizona, Idaho, Illinois, Indiana, Louisiana, Nebraska, New Jersey, New York, North Carolina, Pennsylvania, Utah and Washington. My testimony before state commissions has been on topics related to price regulation, the impact of competition and the classification of services.

I also served as an advisor to the Iowa Utilities Board where my work included the development of alternative regulation/price regulation plans and implementation of the Telecommunications Act of 1996 ("the 1996 Act"). I have also been involved in our firm's work with OFTEL, the telecommunications regulatory body in the United Kingdom that adopted the first price regulation plan for an incumbent provider in 1983 [1] OFTEL has since gradually withdrawn from regulating retail prices as competition has developed.

A copy of my curriculum vitae is appended to this testimony as Exhibit HMS-1.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN IOWA REGULATORY PROCEEDINGS?

A. I have not testified previously on behalf of any party in Iowa. As I noted above, I have served as an advisor to the Board on a number of topics, including the implementation of alternative forms of regulation and the implementation of various aspects of the 1996 Act.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony supports Qwest's Petition for Deregulation of its retail services in the seven geographical groups covering 37 of its exchanges. I provide a national perspective on the status of local competition. I then discuss how I believe the evidence of local competition in Iowa offered by Qwest (including the evidence of wireless competition which I am sponsoring) meets the standard for deregulation set out in the applicable statutes and administrative rules [2] I specifically discuss how, in my opinion, the existence of both wireline and wireless competitors in each of the seven areas can be expected to provide effective competition such that

[1] OFTEL, "A Brief History of Recent U.K. Telecoms and Oftel," www.oftel.gov.uk/about/history.htm#1 (obtained August 13, 2003)

[2] Iowa Code 476.1D and Section 199 IAC 5.6 (1).

regulation of retail prices can be removed and that market forces will constrain Qwest's retail rates for basic exchange services.

II. THE STATUS OF LOCAL COMPETITON NATIONALLY

Q. HOW WOULD YOU DESCRIBE THE STATUS OF LOCAL COMPETITION NATIONALLY?

A. Local competition is developing quite rapidly across the country. This competition can be broken down into two categories. One type of local competition (often referred to as "intramodal") comes from wireline telephone networks deployed by competitors and typically involves use of parts of the network of incumbent local exchange companies ("ILECs") such as Qwest's unbundled network elements ("UNEs") and/or resale of the ILECs' local service offerings. Intramodal competitors include competitive local exchange carriers ("CLECs") and, in some cases, independent ILECs and municipalities "overbuilding" parts of an adjacent Bell Operating Company's service territory.[3]

The other form of local competition is "intermodal" or "platform" competition and involves competitors using facilities other than wireline telephone networks. The primary "intermodal" or "platform" competition for basic local exchange telephone service in Iowa today comes from wireless service providers. There is also active competition from the telephony offerings of cable television companies such as Cox Communications.[4] As Mr. McIntyre discusses, there will be increased

[3] One CLEC competing with Qwest is actually based in South Dakota and has extended its lines into Iowa to serve Storm Lake (i.e., PrairieWave). There are also municipally-owned companies that have built facilities to compete with Qwest in Spencer, Alta and Laurens.

[4] The FCC's recent *Triennial Review Order* recognizes these "other platforms such as wireless and cable" as means by which competitors are providing local exchange telephone services. In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket No. 01-338; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No 96-98; Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147. *Report and Order on Remand and Further Notice of Proposed Rulemaking* (Rel August 21, 2003), at ¶5 (*Triennial Review Order*). Further, the FCC cites Justice Breyer's interest in

competition in Iowa and elsewhere from the Internet "platform" through expanded "voice over Internet protocol."[5]

Q. FROM A NATIONAL PERSPECTIVE, HOW HAS LOCAL COMPETITION DEVELOPED?

A. Local competition has continued to grow, even in the face of the recent economic downturn. For example, according to the FCC, CLECs provided 13 percent of the 188 million local telephone lines in service at the end of 2002, up from 11 percent six months earlier. Of the CLEC-provided lines, 25 percent were being served over local loop facilities owned by the CLECs.[6] One recent report noted that "[a]fter three years of market turmoil," the competitive local exchange carrier market had rebounded and that there was "a stable and financially viable CLEC sector."[7]

Competition from wireless and cable has also been intensifying. A recent analysis by the FCC of average household spending on wireline and wireless services shows that the two are converging. For example, in 2002, the average household spent $36 for local exchange service and $35 for wireless compared to 1995 when the numbers were $30 and $7, respectively.[8] This trend demonstrates the growing popularity and increased usage of wireless service relative to wireline service.

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wireless and cable services as a possible means of competition in lieu of extensive unbundling (at footnote 231)

[5] The FCC noted, in the *Triennial Review Order,* that some studies show that close to half of U.S. businesses have implemented PBX equipment capable of delivering IP telephony (at ¶47)

[6] FCC, Industry Analysis & Technology Division, Wireline Competition Bureau, *Local Telephone Competition Status as of December 31, 2002* (June 2003) at Tables 7 and 10

[7] Kevin Fitchard, "Recovering CLECs Flirt with Profitability," *Telephony Online* (July 14, 2003), http://telephonyonline.com/ar/telecom_recovering_clecs_flirt/.

[8] During the same period, the average wireless bill fell by about 30 percent. *Communications Daily* (August 8, 2003) at 9

The FCC's *Triennial Review Order* describes wireless services as simply another means of local telecommunications services for the "mass market."[9] The FCC has recognized for some time the increasing substitution of wireless service for wireline service. In its 2002 report on the mobile wireless industry, the FCC noted studies that estimate that between 3 percent and 5 percent of wireless subscribers had disconnected their wireline phone.[10] Significantly, the FCC this year states that there is "much evidence that consumers are substituting wireless service for traditional wireline communications."[11] The number of wireless phones is approaching that of wireline phones. According to the International Telecommunications Union, wireless phones represent 43 percent of all phones in use in the United States, up from 37 percent in 2000.[12] The Yankee Group, which regularly conducts research on wireless communications markets, reports that 12 percent of 18-to-24-year-olds have gone "totally wireless" for their phone service and as many as 28 percent more plan to do so over the next five years.[13]

In its most recent assessment of the mobile services market, the FCC acknowledges claims by wireline telecommunications carriers that the numbers of access lines and of minutes of use on their networks have decreased as a result of

[9] *Triennial Review Order* at ¶53.

[10] FCC, In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services* (rel. July 3, 2002), FCC 02-179, at 32 (www.wireless.fcc.gov.cmrs_crforum.html).

[11] FCC, In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services* (rel. July 14, 2003), FCC 03-150, at ¶102 (8th *CMRS Report*) (www.wireless fcc.gov cmrs_ crforum.html)

[12] "Millions doing away with their landline phones," *USA TODAY* (8/4/03) at www.usatoday.com/ tech/news/ 2003=08=04-cell-only_x htm.

[13] Yankee Group News Release, "Twelve Percent of U.S. Young Adults Are Totally Wireless, According to the Yankee Group" (August 5, 2003). A senior analyst for the Yankee Group concludes that "[t]he mobile phone has become the essential means of communications, making the landline phone a supplemental and increasingly non-essential item, particularly among young adults and college students who are often not at home and who frequently change addresses."

increasing use of mobile services.[14] In fact, the FCC estimates show that almost 30 percent of all telecommunications revenue in 2002 was generated by wireless carriers.[15] Additionally, the FCC cites studies that indicate all wireline communications (i.e., local and long distance) are affected. Estimates suggest that 30 percent of total wireline minutes have been displaced by wireless use.[16] This trend of usage substitution is further borne out by a recent Yankee Group report that wireless subscribers today use their wireless phones more than their home wireline phones.[17]

Q. IN GENERAL TERMS, PLEASE DESCRIBE HOW WIRELESS SERVICE PROVIDES A SUBSTITUTE FOR WIRELINE BASIC LOCAL EXCHANGE SERVICE.

A. Wireless service is a substitute for wireline basic exchange service in two respects. In the first place, a wireless service connection can provide a substitute for the wireline connection As I have noted, consumers are actually disconnecting—or never connecting in the first place—wireline phones in favor of wireless phones. This can be referred to as "line substitution." For some time, this has been happening with second lines, but it is now also occurring with primary lines.[18] Even consumers who choose not to drop their wireline connections know they have a choice.

[14] *8th CMRS Report* at ¶103.

[15] Jim Lande and Kenneth Lynch, Industry Analysis & Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Telecommunications Industry Revenues 2001* (March 2003) at Table 3

[16] *8th CMRS Report* at ¶102.

[17] Yankee Group, *News Release,* "Yankee Group Reports Wireless Subscribers Use Cellphones More Than Home Phones" (April 28, 2003)

[18] One wireless provider has reported that 26 percent of its subscribers have completely disconnected their wireline phones. [*See* Rosalie Rayburn, "Wireless Firm Says Young, Single Callers Deserting Land Lines," *Albuquerque Journal,* (June 26, 2002) (obtained via Dow Jones Interactive subscription services).]

Second, there is also growing evidence that even those consumers who elect to retain a wireline connection are using their wireless phone more and more for calls made from the office or home. Increasingly, for many people, their wireless phone is becoming their primary phone.

Q. WHAT TRENDS CAN YOU CITE THAT SUPPORT WIRELESS SUBSTITUTION?

A. A number of wireless providers are advertising their service as a substitute for wireline phone service. For example, AT&T Wireless, in advertising its phones, has asserted: "This could be your only phone."[19] Another competitor, Nextel, has asked, "Who says your cellphone can't do it all?"[20]

The design of many wireless calling plans, coupled with the functionality of the service, makes them effective substitutes for basic local exchange service. These plans include various-sized "buckets" of minutes that can be used for "any distance calling" coupled with unlimited minutes for certain time periods (e.g., nights and weekends). Wireless phones are now offered "free" with many plans[21] and many carriers no longer require long-term contracts.[22] Others are offering pre-paid plans that are attractive for occasional users or those without an adequate credit history.[23] The prices for wireless service have fallen rapidly in recent years, driven down by increased competition. As a result, where it is available (as in the seven

[19] I recall observing these ads as early as 1998 when AT&T introduced its "Digital One Rate" product, revolutionizing the wireless industry by offering its customers large "buckets" of any-distance calling that no longer differentiated between local and long distance calls

[20] Nextel homepage, www nextel.com (obtained November 5, 2002).

[21] For example, AT&T Wireless offers an instant rebate to customers subscribing to its service via its website—www attws com/buy/consumer/devicedetails jhtml?id=2200002 (obtained August 13, 2003).

[22] AT&T's current contract-free offer is "Go Phone," www.attws com/gophone/ (obtained August 13, 2003)

[23] For example, Verizon offers pre-paid cards, www verizonwireless com/ics/plsql/prepay.intro (obtained August 13, 2003). U.S. Cellular offers a similar pre-paid service, www.uscc.com/uscellular/SilverStream/ Pages/ b_t_plan html (obtained August 13, 2003).

geographical areas that are the subject of this case),[24] wireless service is an effective substitute for basic exchange service.

Some wireless service providers have re-engineered their networks to facilitate their use for email, short message service ("SMS") and even Internet access (at speeds competitive with dial-up wireline access)[25] For many users, instant messaging is used as a direct substitute for a voice call or email. These developments make wireless service even more attractive and should result in even greater substitution of wireless connections for wireline connections.[26]

Q. ARE THERE ANY OTHER DEVELOPMENTS THAT SUPPORT YOUR CONTENTION THAT WIRELESS SERVICE IS CONSIDERED TO BE A SUBSTITUTE FOR WIRELINE SERVICE?

A. Yes. Earlier this month, the FCC adopted a rule requiring wireline carriers to permit customers to transfer their wireline phone numbers to wireless carriers.[27] In its decision, the FCC held that, effective November 24, wireline carriers will be required to port telephone numbers in the top 100 MSAs to wireless carriers

[24] *See* Mr. McIntyre's Exhibit SAM-7, describing the various wireless packages available in the seven groups.

[25] Verizon, AT&T, T-Mobile, Sprint PCS and Nextel offer wireless Internet access options. *See* www.verizonwireless.com//b2c/mobileoptions/expressnetwork/index.jsp (obtained August 13, 2003); www.attws.com/mobileinternet/voice_data_handset.jhtml (obtained August 13, 2003); www.t-mobile.com/services (obtained August 13, 2003); www1.sprintpcs.com/explore/ServicePlansOptions/addonPopups/visionComparePopup jsp?FO (obtained August 13, 2003); www.nextel.com/services/nextelonline/index.shtml(obtained August 13, 2003). For example, AT&T, Nextel and T-Mobile also offer AOL Instant Messenger™ Service *See* www nextelonline nextel com/services/mobilemessaging/index.shtml (obtained August 13, 2003); www attws.com/messaging/ (obtained August 13, 2003); and www.t-mobile.com/services (obtained August 13, 2003). Verizon and Sprint PCS offer other messaging services [www.verizonwireless.com/ b2c/mobileoptions/mobilewire/index.jsp (obtained August 13, 2003); *see* reference to Sprint website above.]

[26] Indeed, a survey by The Yankee Group shows that almost 20 percent of wireless users currently use wireless data/Internet services "2002 Mobile User Survey Results Part 1: Will Next Generation Data Services Close the Value Gap?," Executive Summary, from www.yankeegroup com (October 25, 2002).

[27] FCC News Release, "FCC Clears Way for Local Number Portability Between Wireline and Wireless Carriers" (rel November 10, 2003).

where the requesting wireless carrier's "coverage area"[28] includes the rate center in which the customer's wireline number is provisioned. This requirement takes effect outside the top 100 MSAs on May 24, 2004. This is yet another example of the widespread recognition that wireline and wireless service are considered substitutes.

In addition, wireless providers have sought—and are being granted—status as "Eligible Telecommunications Carriers" ("ETCs"). An ETC is entitled to receive support from the Universal Service Fund. To be designated an ETC, as I discuss in more detail later, a carrier must demonstrate to a state commission or to the FCC that it offers local exchange service throughout its service area.[29] The fact that wireless service suffices to establish status as an ETC is further evidence that wireless service can be considered a substitute for wireline basic exchange service.

III. EVIDENCE OF LOCAL COMPETITION IN IOWA

Q. ARE THESE NATIONAL TRENDS IN THE DEVELOPMENT OF LOCAL COMPETITION CONFIRMED BY THE EVIDENCE IN IOWA?

A. Yes. Mr. McIntyre provides extensive evidence of the presence of both intramodal (i.e., CLEC) and intermodal (i.e., wireless) competition in each of the seven geographic areas covered by Qwest's petition. In addition, I have developed and overseen a survey of wireless customers in the seven geographic groups of exchanges that demonstrates that both line and usage substitution is occurring in Iowa Finally, I note that the Board has granted ETC status to at least 26 wireless

[28] The wireless "coverage area" is the area in which wireless service can be received from the wireless carrier

[29] For example, a major national wireless provider Sprint PCS has recently filed petitions with a number of commissions (including the IUB) to be designated an ETC [*See*, for example, *TR Daily* (September 26, 2003) and *TR's State Newsline* (October 1, 2003)]

providers that Qwest is aware of, serving numerous service areas throughout the state in keeping with the national trend.

Q. WOULD YOU PLEASE DESCRIBE THE METHODOLOGY YOU EMPLOYED FOR THE SURVEY?

A. Yes I was responsible for directing the survey of 1,013 wireless phone users in Iowa, which was conducted between August 20, 2003 and September 4, 2003. I supervised the preparation of the survey instrument which was designed to obtain information that I believe is relevant to this proceeding. That instrument is attached to this testimony as Exhibit HMS-2.

SPR provided to Voter/Consumer Research, Inc., ("VCR")[30] the NPA-NXX codes assigned to each carrier in each of the seven groups of local exchanges in Iowa where Qwest is seeking deregulation of its retail local exchange services. VCR randomly generated the last four digits for each of these NPA-NXX codes. VCR also endeavored to obtain a proportionate amount of respondents for each carrier in each group based on information learned from the first 50 completed calls in each group.[31] Beyond obtaining those proportionate responses, respondents were randomly selected through random number generation with the objective of obtaining approximately 150 total respondents in each group.

Since most people use the same wireless phone for both business and personal calls when applicable, we did not seek to obtain a separate sample of business users and personal users of wireless services. Rather, we asked respondents about their use of their wireless phone and, if they indicated they used their wireless phone for

[30] VCR is a polling and market research firm located in the Washington, D.C. area. VCR clients include political organizations, private sector firms and federal government agencies.

[31] That is, the early sample observations yielded an estimate of the proportion of wireless customers served by each wireless carrier in each group. Those proportions were used to target the remaining completions in a similar proportion among the wireless carriers that operate in each group.

both purposes, we asked them separate questions related to business and personal use. Roughly 42 percent of the total respondents use their wireless phone for both business and personal use (Q2), though, interestingly, nearly 70 percent of respondents said their business does not pay at all for their wireless service (Q3). The distribution of the sample across the seven groups of local exchanges and between business and personal use is as follows:

Distribution of Iowa Wireless Users Sample				
Local Exchange Group	**Total Respondents (Q2) (a)**	**Respondents with Business Use (Q2) (b)**	**Respondents with Personal Use (Q2) (c)**	**Respondents with Both Uses (Q2) (d)**
Group 1	125	58	117	50
Group 2	136	81	120	65
Group 3	151	101	139	89
Group 4	147	102	121	76
Group 5	151	76	133	58
Group 6	153	85	133	65
Group 7	150	80	131	61
Totals	1,013	583	894	464

Note: As some respondents are both business and personal users, columns (b) plus (c) do not equal the totals in column (a). The total number of respondents [column (a)] for each group is calculated as: column (b) plus column (c) minus column (d) Exclusive business users may be obtained by subtracting Column (d) from column (b). Exclusive personal users may be obtained by subtracting column (d) from column (c)

The percent results in each of and across the seven groups are weighted by that group's relative share of Qwest business and residential switched access lines across the seven groups [32] The actual quantities of respondents to each question are reported as well. These results are presented in Exhibit HMS-3.

[32] We relied on the relative share of residential switched access lines for personal use questions and the relative share of business switched access lines for the business use questions. We believe it is reasonable to assume that wireless access lines are geographically distributed in a similar manner as wireline switched access lines. For questions to which all responded, the total residential and business switched access lines in each group were used.